

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name MULLIKEN VILLAGE	County EATON
Audit Date 2/29/04	Opinion Date 6/23/04	Date Accountant Report Submitted to State: 7/12/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) FOOTE AND LLOYD, CERTIFIED PUBLIC ACCOUNTANTS			
Street Address TWO WEST MICHIGAN, SUITE 210		City BATTLE CREEK	State MI
		ZIP 49017-3621	
Accountant Signature Charles W. Foote, C.P.A.			Date 7/12/04

**VILLAGE OF MULLIKEN
EATON COUNTY, MICHIGAN**

**REPORT OF AUDIT
AS OF
FEBRUARY 29, 2004**

**FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

**VILLAGE OF MULLIKEN
EATON COUNTY, MICHIGAN**

**ELECTED OFFICERS
2003 - 2004**

President	Robert Piercefield
Clerk	Judy VanDeVelde
Treasurer	Sharon Kempf

COUNCIL

Susie Debler	Sandra Kelly
Robert Kelly	Kelli Waldo
Julia Vedder	Barb Seymour

2000 Census

Population 557

VILLAGE OF MULLIKEN

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MICHIGAN ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Village President and
Members of the Council
Village of Mulliken
Eaton County, Michigan

We have audited the general purpose financial statements of the Village of Mulliken, Eaton County, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and including those prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Mulliken, Eaton County, Michigan, as of February 29, 2004, and the results of its operation for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and the individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Mulliken, Eaton County, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
June 23, 2004

VILLAGE OF MULLIKEN
Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Township as a Whole

In a condensed format, the table below shows net assets as of fiscal year-end:

	Governmental Activities 2-29-04	2-28-03 (None Available)
Current Assets	508,332	
Noncurrent Assets	<u>188,679</u>	
Total Assets	697,011	
Other Liabilities	<u>7,193</u>	
Total Liabilities	7,193	
Net Assets		
Invested in Capital Assets – Net of Debt	188,679	
Restricted for Capital Projects	0	
Unrestricted	<u>501,139</u>	
Total Net Assets	<u>689,818</u>	

A comparative analysis will be provided in future years when prior year information is available.

The following table shows the changes of the net assets:

	Governmental Activities 2-29-04	2-28-03 (None Available)
Program Revenues		
Charges for Services	55,780	
General Revenues		
Property Taxes	43,161	
State-Shared Revenues	93,001	
Unrestricted Investment Earnings	12,776	
Miscellaneous	2,145	
Transfers	<u>0</u>	
Total Revenues	206,863	

VILLAGE OF MULLIKEN
Management's Discussion and Analysis
Page 2

	Governmental Activities
	2-29-04 2-28-03
	(None Available)
Program Expenses	
General Government	59,290
Public Works	113,649
Recreation and Culture	<u>3,990</u>
Total Expenses	<u>176,929</u>
Change in Net Assets	<u>29,934</u>

A comparative analysis will be provided in future years when prior year information is available.

The governmental activity related to this deterioration in financial condition was primarily an unexpected and costly repair to the sewer lift station. In addition, the business related activity that contributed to the deterioration was the continued low interest rate for certificates of deposit and the rising cost of insurance.

The only fund that experienced a change in the fund balance during the last year was the sewer fund primarily because of the purchase of a new mower and the afore mentioned unscheduled repair to the lift station.

The Village of Mulliken has only one fund that has a restriction on the availability of fund resources. The 25% transfer of state shared revenue from the Major Street Fund revenues limits the revenue available to the Local Street Fund.

The sewer fund also saw an increase in equipment rental because of the time and equipment used to effect the repairs to the lift station.

In our opinion, the repairs to the sewer will result in lower future expenditures and reduced maintenance costs.

VILLAGE OF MULLIKEN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
FEBRUARY 29, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	475,135	-	475,135
Receivables (Net)	33,197	-	33,197
Capital Assets-Net	<u>188,679</u>	<u>-</u>	<u>188,679</u>
Total Assets	697,011	-	697,011
Liabilities			
Accounts Payable	<u>7,193</u>	<u>-</u>	<u>7,193</u>
Total Liabilities	7,193	-	7,193
Net Assets			
Invested in Capital Assets			
Net of Related Debt	188,679	-	188,679
Restricted for Capital Projects	-		
Unrestricted	<u>501,139</u>	<u>-</u>	<u>501,139</u>
Total Net Assets	<u>689,818</u>	<u>-</u>	<u>689,818</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MULLIKEN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED FEBRUARY 29, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Primary Government						
General Government	59,290	13,363	-	-	45,927	-
Public Works	113,649	42,417	-	-	71,232	-
Recreation and Culture	3,990	-	-	-	3,990	-
Total Governmental Activities	176,929	55,780	-	-	121,149	-
Business Type-Activities						
Water and Sewer	-	-	-	-	-	-
Total Primary Government	176,929	55,780	-	-	121,149	-

General Revenues

Property Taxes	43,161	-	43,161
State-Shared Revenues	93,001	-	93,001
Unrestricted Investment Earnings	12,776	-	12,776
Miscellaneous	2,145	-	2,145
Transfers	-	-	-
Total General Revenues--Special Items and Transfers	151,083	-	151,083
Change in Net Assets	29,934	-	29,934
Net Assets - Beginning	659,884	-	659,884
Net Assets - Ending	689,818	-	689,818

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF MULLIKEN
GOVERNMENTAL FUND BALANCE SHEET
FEBRUARY 29, 2004**

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	264,067	91,647	94,703	24,718	475,135
Receivables - Net	<u>16,860</u>	<u>12,731</u>	<u>2,655</u>	<u>951</u>	<u>33,197</u>
Total Assets	280,927	104,378	97,358	25,669	508,332
Liabilities					
Accounts Payable	<u>2,720</u>	<u>395</u>	<u>2,572</u>	<u>1,506</u>	<u>7,193</u>
Total Liabilities	2,720	395	2,572	1,506	7,193
Fund Balances					
Reserved for Capital Projects	-	-	-	-	
Unreserved	<u>278,207</u>	<u>103,983</u>	<u>94,786</u>	<u>24,163</u>	<u>501,139</u>
Total Fund Balances	<u><u>278,207</u></u>	<u><u>103,983</u></u>	<u><u>94,786</u></u>	<u><u>24,163</u></u>	<u>501,139</u>

Amounts reported for governmental activities in the statement of net assets are different because:

*Capital assets used in governmental activities are not financial resources and are not reported in the funds.

262,438

Net Assets of Governmental Activities

763,577

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MULLIKEN
GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE
FISCAL YEAR ENDED FEBRUARY 29, 2004

	General Fund	Sewer Fund	Major Streets Fund	Local Streets Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	43,161	-	-	-	43,161
State-Shared Revenues	49,012	-	32,421	11,568	93,001
Charges for Services	13,363	42,417	-	-	55,780
Interest	6,092	4,082	2,438	164	12,776
Other Revenue	<u>1,765</u>	<u>380</u>	<u>-</u>	<u>-</u>	<u>2,145</u>
Total Revenues	113,393	46,879	34,859	11,732	206,863
Expenditures					
Current					
General Government	52,926	-	-	-	52,926
Public Works	19,488	62,404	13,717	18,040	113,649
Recreation and Culture	<u>3,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,990</u>
Total Expenditures	76,404	62,404	13,717	18,040	170,565
Excess of Revenues Over (Under) Expenditures Other Financing Sources (Uses)	36,989	(15,525)	21,142	(6,308)	36,298
Transfers In	-	-	-	8,083	8,083
Transfers (Out)	<u>-</u>	<u>-</u>	<u>(8,083)</u>	<u>-</u>	<u>(8,083)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	36,989	(15,525)	13,059	1,775	36,298
Fund Balance - Beginning of Year	<u>241,218</u>	<u>124,708</u>	<u>81,727</u>	<u>22,388</u>	<u>470,041</u>
Fund Balance - End of Year	<u><u>278,207</u></u>	<u><u>109,183</u></u>	<u><u>94,786</u></u>	<u><u>24,163</u></u>	506,339

Amounts reported for governmental activities in the statement of activities are different because:

*Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

5,200

Change in Net Assets of Governmental Activities

501,139

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MULLIKEN
Notes to Financial Statements
February 29, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

The Village of Mulliken was organized in 1887 and covers an area of 1 square mile. The Village operates under an elected council of six members and provides services to its almost 600 residents in many areas including highway and street maintenance, construction, and sanitation service. The General Purpose Financial Statements contain all the funds and account groups that are controlled by or dependent on the Village's executive or legislative branches. There are no component units included in the reporting entity.

Blended Component Units - There are no blended component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All of the governmental funds are major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF MULLIKEN
Notes to Financial Statements
February 29, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village property tax is levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 1st.

Although the Village ad valorem tax is levied and collectible on July 1, it is the Village's policy to recognize revenue from the current tax levy in the subsequent year OR the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the Village totaled \$8,490,600, on which ad valorem taxes levied consisted of .51226 mills for the Village operating purposes. These amounts are recognized in the respective financial statements as taxes receivables—current or as tax revenue.

All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

There are also three Special Revenue Funds as follows:

The Sewer Fund accounts for the operation and maintenance of the sewer system and for all related revenues.

The Major Street Fund accounts for the construction and maintenance of state trunklines and for all related revenues.

The Local Street Fund accounts for the construction and maintenance of local streets and for all related revenues.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and any business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 1st. Taxes are considered delinquent on September 15th of the following year, at which time penalties and interest are assessed.

VILLAGE OF MULLIKEN
Notes to Financial Statements
February 29, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimates useful life in excess of two years. Such assets are recorded at historical cost or estimates historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	25 to 50 years
Vehicles	6 to 10 years
Equipment	10 to 20 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The differences between the government-wide and fund financial statements are reconciled as shown at the bottom of the fund financial statements.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level and were amended primarily because of the unexpected need for sewage treatment maintenance and related equipment purchases.

During the year ended February 29, 2004, the Village incurred expenditures in no budgetary funds which were in excess of the amounts appropriated.

VILLAGE OF MULLIKEN
Notes to Financial Statements
February 29, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Council has designated five banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash				
Equivalents	475,135	0	0	475,135
Investments	0	0	0	0
Restricted Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>475,135</u>	<u>0</u>	<u>0</u>	<u>475,135</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	475,135
Investments in Securities, Mutual Funds and Similar Vehicles	0
Petty Cash and Cash on Hand	<u>0</u>
Total	<u>475,135</u>

The bank balance of the primary government's deposits is \$474,801, of which \$420,316 is covered by federal depository insurance and \$0 is collateralized.

VILLAGE OF MULLIKEN
Notes to Financial Statements
February 29, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the government held no investments except cash and cash equivalents.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major and Nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sewer Fund	Major Streets Fund	Local Streets Fund	Total
Taxes Receivable	2,936				2,936
Accounts	5,046	12,507			17,553
Intergovernmental	8,231		2,655	951	11,837
Interest and Other	<u>647</u>	<u>224</u>			<u>871</u>
Gross Receivables	16,860	12,731	2,655	951	33,197
Less: Allowance for Uncollectible	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Receivables	<u>16,860</u>	<u>12,731</u>	<u>2,655</u>	<u>951</u>	<u>33,197</u>

Government funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent Property Taxes	0	0
Special Assessments	0	0
Grant Drawdowns Prior to Meeting all Eligibility Requirements	<u>0</u>	<u>0</u>
Total	<u>None</u>	<u>None</u>

VILLAGE OF MULLIKEN
Notes to Financial Statements
February 29, 2004

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	47,700	0	0	47,700
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	47,700	0	0	47,700
Capital Assets Being Depreciated				
Buildings	161,338	0	0	161,338
Equipment	35,200	5,200	0	40,400
Vehicles	<u>13,000</u>	<u>0</u>	<u>0</u>	<u>13,000</u>
Subtotal	209,538	5,200	0	214,738
Less: Accumulated Depreciate for				
Buildings	46,360	3,134	0	49,494
Equipment	11,535	2,230	0	13,765
Vehicles	<u>9,500</u>	<u>1,000</u>	<u>0</u>	<u>10,500</u>
Subtotal	<u>67,395</u>	<u>6,364</u>	<u>0</u>	<u>73,759</u>
Net Capital Assets Being Depreciated	<u>142,143</u>	<u>(1,164)</u>	<u>0</u>	<u>140,979</u>
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	<u>189,843</u>	<u>(1,164)</u>	<u>0</u>	<u>188,679</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>6,364</u>
Total Governmental Activities	<u>6,364</u>

NOTE 7 - RISK MANAGEMENT

The Village's insurance for Workers' Compensation, General Liability and Property Loss and Fleet insurance is carried by an insurance company. The Village is not self-insured other than for minimal deductibles. No known material claims are outstanding. Insurance coverage is substantially the same as in previous years.

VILLAGE OF MULLIKEN
Notes to Financial Statements
February 29, 2004

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township has a defined contribution pension plan for the elected officials. Contributions for the past three years are:

2-29-02	\$7,648
2-29-03	7,622 (unaudited)
2-29-04	7,529

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amounts of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

NOTE 9 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 10 - CONSTRUCTION PERMIT FEES

The Village does not charge fees for the issuance of construction permits. Therefore, there is no fund balance for such activity.

Required Supplemental Information

**VILLAGE OF MULLIKEN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (MAJOR SPECIAL REVENUE FUNDS)
FISCAL YEAR ENDED FEBRUARY 29, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Favorable (Unfavorable)
Beginning of Year Fund Balance				
Resources (Inflows)				
Property Taxes	44,000	44,000	43,161	(839)
State-Shared Revenues	98,000	98,000	93,001	(4,999)
Licenses and Permits	6,000	6,000	10,000	4,000
Charges for Services	46,500	46,500	45,780	(720)
Interest	17,000	17,000	12,776	(4,224)
Other	4,000	4,000	2,145	(1,855)
Transfers from Other Funds	-	-	-	-
Amounts Available for Appropriation	215,500	215,500	206,863	(8,637)
Charges to Appropriations (Outflows)				
General Government				
City Council	5,500	5,500	4,860	640
Administration	13,600	13,600	13,200	400
Township Hall	21,500	20,600	12,520	8,080
Legal and Ordinances	3,000	3,000	720	2,280
Insurance	14,100	14,400	13,635	765
Pension	4,100	4,100	3,492	608
Other	5,750	5,750	3,869	1,881
Elections	1,100	1,100	630	470
Cultural				
Library	4,000	4,000	3,990	10
Public Works				
General Maintenance	20,700	21,300	15,172	6,128
Sidewalks and Trees	5,500	5,500	650	4,850
Recycling and Cleanup Day	5,000	5,000	3,666	1,334
Street Maintenance	39,430	39,430	31,757	7,673
Sewage Treatment	49,350	63,350	62,404	946
Capital Outlay	-	5,410	5,200	210
Total Charges to Appropriations	<u>192,630</u>	<u>212,040</u>	<u>175,765</u>	<u>36,275</u>
Budgetary Fund Balance - End of Year	<u><u>22,870</u></u>	<u><u>3,460</u></u>	<u><u>31,098</u></u>	<u><u>27,638</u></u>

The Notes to Financial Statements are an integral part of this statement.

Additional Information

**VILLAGE OF MULLIKEN
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
2003 Tax Roll	44,000	43,161	(839)
Intergovernmental Revenue - State	53,000	49,012	(3,988)
Charges for Services	13,500	13,363	(137)
Interest	8,000	6,092	(1,908)
Other	<u>4,000</u>	<u>1,765</u>	<u>(2,235)</u>
Total Revenues	122,500	113,393	(9,107)
Expenditures			
General Government			
Wages - Village Council	5,500	4,860	640
- Administration	13,600	13,200	400
Township Hall	20,600	12,520	8,080
Legal & Ordances	3,000	720	2,280
Other	5,750	3,869	1,881
Elections			
Supplies & Other	1,100	630	470
Public Works			
Wages	10,200	9,636	564
Repairs & Maintenance	11,100	5,536	5,564
Sidewalks & Trees	5,500	650	4,850
Recycling & Cleanup Day	5,000	3,666	1,334
Cultural			
Library	4,000	3,990	10
Other			
Insurance	14,400	13,635	765
Pension	4,100	3,492	608
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>103,850</u>	<u>76,404</u>	<u>27,446</u>
Excess of Revenues Over (Under)			
Expenditures	18,650	36,989	18,339
Fund Balance - Beginning of Year	<u>241,218</u>	<u>241,218</u>	<u>-</u>
Fund Balance - End of Year	<u>259,868</u>	<u>278,207</u>	<u>18,339</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF MULLIKEN
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
SEWER FUND
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services - Billings	39,000	42,417	3,417
Interest Earned	6,000	4,082	(1,918)
Other	-	380	380
Total Revenues	45,000	46,879	1,879
Expenditures			
Salaries - Maintenance	20,500	19,272	1,228
- Administration	6,000	6,000	-
Pension & Payroll Taxes	3,475	3,209	266
Supplies & Other	7,475	6,052	1,423
Utilities	1,400	791	609
Equipment Rental	4,500	7,029	(2,529)
Repairs & Maintenance	20,000	20,051	(51)
Capital Outlay	5,410	5,200	210
Total Expenditures	68,760	67,604	1,156
Excess of Revenues Over (Under)			
Expenditures	(23,760)	(20,725)	3,035
Fund Balance - Beginning of Year	124,708	124,708	-
Fund Balance - End of Year	100,948	103,983	3,035

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF MULLIKEN
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
MAJOR STREET FUND
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental Revenues	33,000	32,421	(579)
Interest	<u>2,800</u>	<u>2,438</u>	<u>(362)</u>
Total Revenues	35,800	34,859	(941)
Expenditures			
Highway & Streets			
Routine Maintenance	10,626	9,053	1,573
Winter Maintenance	<u>5,474</u>	<u>4,664</u>	<u>810</u>
Total Expenditures	<u>16,100</u>	<u>13,717</u>	<u>2,383</u>
Excess of Revenues Over (Under) Expenditures	19,700	21,142	1,442
Other Financing Sources (Uses)			
Transfer to Local Street Fund (25%)	<u>(8,000)</u>	<u>(8,083)</u>	<u>(83)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures & Other Uses	11,700	13,059	1,359
Fund Balance - Beginning of Year	<u>81,727</u>	<u>81,727</u>	<u>-</u>
Fund Balance - End of Year	<u>93,427</u>	<u>94,786</u>	<u>1,359</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF MULLIKEN
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
LOCAL STREET FUND
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental Revenues	12,000	11,568	(432)
Interest Earned	<u>200</u>	<u>164</u>	<u>(36)</u>
Total Revenues	12,200	11,732	(468)
Expenditures			
Highways & Streets			
Routine Maintenance	18,420	14,183	4,237
Winter Maintenance	<u>4,910</u>	<u>3,857</u>	<u>1,053</u>
Total Expenditures	<u>23,330</u>	<u>18,040</u>	<u>5,290</u>
Excess of Revenues Over (Under) Expenditures	(11,130)	(6,308)	4,822
Other Financing Sources (Uses)			
Transfer From Major Street Fund	<u>8,000</u>	<u>8,083</u>	<u>83</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(3,130)	1,775	4,905
Fund Balance - Beginning of Year	<u>22,388</u>	<u>22,388</u>	-
Fund Balance - End of Year	<u>19,258</u>	<u>24,163</u>	<u>4,905</u>

The Notes to Financial Statements are an integral part of these statements.

Foote and Lloyd
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CERTIFIED PUBLIC ACCOUNTANTS

*FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

To the Village President and
Members of the Council
Village of Mulliken
Eaton County, Michigan

This letter is being written to you in connection with the audit report for the Village of Mulliken for the fiscal year ended February 29, 2004. We have forwarded to the State of Michigan the required audit reports. During the course of our examination, we again found the financial records in very good order. We are putting into writing some comments and observations which were discussed during the audit as follows:

1. The Village needs to spend a portion of Act 51 Funds received from the State of Michigan for non-motorized transportation expenditures. Approximately \$4,600 needs to be spent within any ten year period for this purpose.
2. We suggest that you continue to have the general fund charge the other funds for equipment use on a quarterly basis. This seems to be working well.
3. The State of Michigan has changed its statutes with regard to Act 51 revenue and related activity. You should read the instructions for Act 51 forms to acquaint yourselves with these changes.

We wish to thank you for the opportunity to serve you again this year and appreciate the willing cooperation and assistance we received from all during the course of the audit. Please feel free to contact us at any time should you have questions or comments.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
June 23, 2004